

OPEN UNIVERSITY STUDENTS ASSOCIATION

Central Executive Committee (CEC)

25 – 26 April 2020

FINANCE REPORT

The C E C is asked to: -

- i) **note** the attached income and expenditure statement for 2019/20, covering the 7-month period 01.08.2019 to 29.02.2020 (Appendix A)

1. Summary Financial Position as at 28 February 2020

1.1. The Association’s current year financial position, detailed in Appendix A, is summarised as follows:

ACTUAL Income	ACTUAL Expenditure	FORECAST Outturn
£1,156,147	£969,109	£154,213
= 59% of budget	= 49% of budget (54% excluding Conference)	Income is expected to exceed expenditure due to: <ul style="list-style-type: none"> • Change to Conference format (note 4.1) • Postponement of filling staffing vacancies (note 4.5) • Effect of coronavirus lockdown on other face-to-face activity.

2. Forecast Outturn v Revised Budget 2019/20

2.1. A revised budget, predicting expenditure would exceed income for the year by £24,878, was approved by Trustees at their meeting in

February. Since then, due to the coronavirus crisis, we have been forced to review planned activity for the foreseeable future. The anticipated reduction in face-to-face events and meetings over the next few months will mean reduced expenditure. While there is still considerable uncertainty over how long the current lockdown will last, what we currently know is reflected in the current forecast, resulting in a predicted in-year surplus of approximately £154,000.

3. **Income Forecast**

Points to note and the main variances anticipated by the forecast are as follows:

- 3.1. **Subvention** – the revised budget assumes the OU will recover £15,500 of funding allocated for pension contribution increases that have not materialised. This adjustment is mirrored by a corresponding reduction in the “Staff Costs” budget, and so has no impact on the overall financial position.
- 3.2. **OUSA Services Ltd Management charge** – all Shop activity has ceased for the time being due to the closure of OU premises and postponement of graduation ceremonies. As the management charge is 10% of the Shop’s turnover, the total has been reduced to reflect the forecast reduction in sales income. The financial viability of the Shop is under threat as a result. Directors will now arrange to meet to review the Shop’s business plan and report to the Association’s Trustees, who will need to consider the revised plan and options presented by Directors, in accordance with their legal duty to act in the best interests of the charity.
- 3.3. **Ouset Management Charge** – this has been reduced in line with staffing changes on which the charge is based, in particular the decision to postpone the recruitment process to replace the Operations Supervisor.
- 3.4. **NUS Commission** – following changes to the commission model, pricing structure, and entry to the market of other student discount providers, we continue to see sales volumes declining, so the forecast has been further revised downwards to reflect this.

4. **Expenditure Forecast**

Points to note and main variances from the budget are as follows:

- 4.1. **Conference** – the revised forecast assumes Conference will take place on the scheduled date(s) but either fully online or with minimal face-to-face activity. Accommodation (except for a small non-refundable deposit), catering, attendance and photography costs have therefore been removed from the forecast. Added to the forecast is provision for increased online voting costs, website hosting, an engagement tool, social media boosts, delegate incentives and paid speaker costs. At this stage, quantifying some of these costs is not straightforward, so actual costs may be higher or lower than forecast.

- 4.2. **CEC/BoT meetings** – savings have arisen due to April’s CEC being held remotely and provision for a project weekend in February/March not being required. The forecast assumes that usual arrangements for May’s BoT meeting and July’s CEC/handover and induction will apply.
- 4.3. **Central Services** – reflects graduation ceremonies postponement beyond the end of the current financial year but assumes the Graduation Coordinator training planned for June will still go ahead.
- 4.4. **Student Services** – provision for external affairs and student voice activity to the end of May has been removed. Freshers has underspent.
- 4.5. **Salaries** – recruitment to vacancies in Operations and Representation has been paused for the time being with the forecast now assuming these posts will be filled from June. Other savings have arisen firstly from not directly replacing the Head of Student Voice for now but providing instead some temporary grade 5 support for Volunteering/Representation until the end of this financial year; and secondly, due to the resignation of the Deputy President. The current forecast includes a contingency of approximately £12k pending the outcome of a review to the overtime policy and aims to provide for an increase in the annual leave carry forward associated with the current coronavirus crisis.
- 4.6. **Other Central Costs** - we continue to incur costs associated with drawing up agreements with the University arising from the incorporation process - Shared Services and Licence to Occupy agreements. The forecast aims to provide for this additional cost, although there is still some unpredictability about the length of time and amount of professional input required to completion. We have now appointed Hope and May, following a competitive tendering process to provide Data Protection Officer Services. The regular contract is expected to commence in August 2020, but the forecast anticipates the cost of an audit to assess our current GDPR compliance and inform the level of on-going support we will need.
- 4.7. **Discretionary Spend** – there is currently some uncertainty over what progress can now be made in the current financial year with the governance review, so the forecast assumes that the balance of the allocation to the Culture Project (£4,696) will be spent, but that there will be no call, this year, on the remaining unallocated discretionary funding of £10,072.

5. **Subvention 2020/21**

- 5.1 We submitted our bid, on 6 March, supported by a draft budget for 2020-2021 and outline forecast for 2021-2022. We requested a core subvention allocation of £1,994,000. This included a basic increase of £134,000 to fund staff costs inflation and recurrent costs we had agreed to fund for 2019-2020 only from reserves. It also included an additional £113,000 to support development and furtherance of our strategic objectives.
- 5.2 The University has now responded to advise that its position expressed to us in December remains unchanged. This means that, generally,

funding for further growth is not supported and so we should be planning on the basis of an increase to the 2019-2020 core subvention (£1,762k) in line with inflation figures provided by the University (staff inflation: 2.83%; non-staff inflation: 1.9%). However, support for individual representation and the increased costs relating to a change in the tax position of expenses incurred by the Association President has not been ruled out.

- 5.3 We are now considering, together with the Chief Executive, Association President and Chair of Trustees, the implications for our budget planning and we will formulate a response to the University.

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